

Investment Section

Report On Investment Activity

Prepared by the Washington State Investment Board

Overview

The Washington State Investment Board (WSIB) manages retirement fund assets to maximize return at a prudent level of risk (Chapter 43.33A.110 RCW). Investment decisions are made within the framework of a Strategic Asset Allocation Policy, and a series of written WSIB-adopted investment policies for the various asset classes in which WSIB invests.

The Retirement Funds, collectively called the Commingled Trust Fund (CTF), increased in value by \$4.1 billion during fiscal 2005 to \$47.5 billion. The CTF return was 13.34 percent for the fiscal year.

Performance

The chart below shows the returns for the CTF on a total fund basis, as well as by asset class. Appropriate benchmark returns are provided for comparison purposes.

Periods Ending 6/30/2005

	1 Year	3 Year	5 Year
TOTAL FUND	13.34%	10.71%	3.63%
MAP Benchmark 2	9.41%	9.95%	1.64%
U.S. Equity	8.27%	9.98%	-1.11%
Dow Jones Wilshire 5000	8.22%	9.95%	-1.26%
Non-U.S. Equity	17.91%	13.52%	1.21%
MSCI ACWI ex-U.S	16.95%	14.08%	0.76%
Fixed Income	7.03%	7.25%	8.12%
Lehman Universal	7.42%	6.56%	7.62%
Cash	2.11%	1.54%	1.73%
90 Day T-Bills	2.15%	1.55%	2.62%
Private Equity	27.01%	11.54%	2.55%
S&P 500 + 500 bp (lagged one quarter)	11.69%	7.75%	1.84%
Real Estate	22.17%	14.96%	13.45%
NCREIF + 100 bp (lagged one quarter)	16.55%	11.74%	11.15%

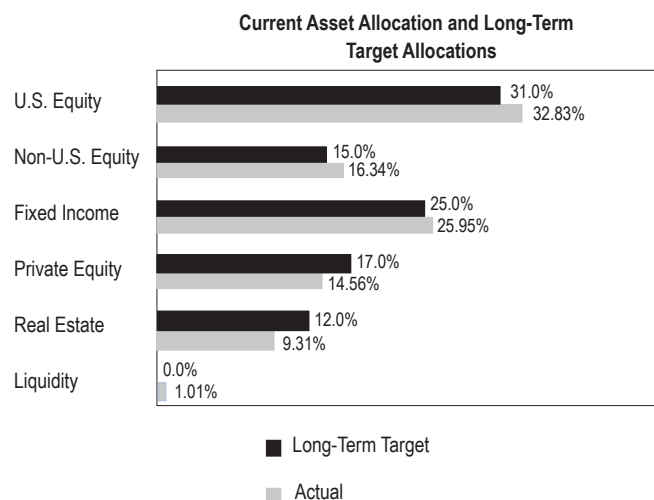
Performance information is compiled by the custodian, State Street Bank and Trust. Performance numbers are reported net of management fees, and are prepared using a time-weighted rate of return based on the current market value using the Association for Investment Management and Research (AIMR) Calculation Standards.

Asset Allocation

Investment performance is a result of two primary factors: individual asset selection and the allocation of the portfolio among asset classes (e.g. stocks, fixed income, real estate). Studies suggest that more than 90 percent of investment performance can be explained by asset allocation decision.

Accordingly, the WSIB sets a specific long-term target asset mix and adopts tight ranges around those targets to control the overall risk and return of the CTF. On a daily basis, the WSIB reviews the asset allocation in relation to the established ranges. The staff shifts assets whenever the allocation range for an asset exceeds the approved range or when cash is needed elsewhere. The WSIB reviews changes to the overall asset mix every three to four years.

The chart below shows the CTF's asset allocation as of June 30, 2005, as well as the long-term target allocations.



U.S. Equity

The U.S. Equity portfolio is structured to capture the returns of the broad U.S. equity market as measured by the Dow Jones Wilshire 5000 Index. The index is comprised of all U.S. domiciled common equities for which pricing information is readily available, and currently represents approximately 5,000 companies. The portfolio is managed externally using a passive management strategy, that closely tracks the index.

Retirement Fund's Ten Largest U.S. Equity Holdings as of 6/30/2005

Exxon Mobil Corp.	2.75%	Johnson & Johnson	1.43%
General Electric Corp.	2.72%	Bank of America Corp.	1.36%
Microsoft Corp.	1.79%	Intel Corporation	1.23%
Citigroup Inc.	1.77%	American Int'l Group, Inc.	0.99%
Pfizer Inc.	1.54%	Altria Group, Inc.	0.98%

Non-U.S. Equity

Over 90 percent of the non-U.S. equity portfolio is invested in the developed markets with the remaining portion invested in the emerging markets. Portfolios are managed by external managers employing a combination of both active and passive management strategies.

Retirement Fund's Ten Largest Exposures by Country as of 6/30/2005

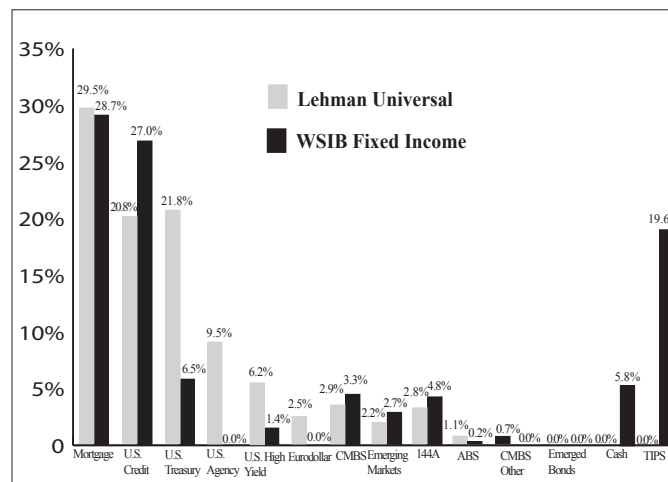
	CTF Weight	Index Weight		CTF Weight	Index Weight
United Kingdom	18.37%	20.55%	Australia	4.42%	4.49%
Japan	17.19%	17.91%	Netherlands	4.41%	4.03%
France	8.64%	7.86%	Canada	4.35%	5.99%
Germany	6.14%	5.61%	Spain	4.00%	3.24%
Switzerland	4.77%	5.55%	Italy	3.26%	3.25%

The ten largest country exposures comprise 75.5% of the portfolio versus the index at 78.5%.

Fixed Income

The Fixed Income portfolio is internally managed by WSIB staff with the Lehman Universal Index as the performance benchmark. The management strategy is primarily one of sector selection. The portfolio is structured to be over- or under-weighted relative to the index's sectors: primarily treasuries, agencies, credit, mortgage backed securities and asset backed securities. The duration of the portfolio is 7.46 percent shorter than that of the Lehman Universal Index.

Retirement Fund's Fixed Income Sector Distribution as of 6/30/2005



Private Equity

The private equity portfolio, originated in 1981, is primarily invested in partnerships that acquire or create ongoing businesses or operating companies. The WSIB has investments in all stages of the business life cycle, from private start-up technology companies to large multinational public concerns. These are long-term investments, typically 10 to 12 years in life. They are expected to generate investment return well in excess of public equity securities. Approximately 21.9 percent of this portfolio is invested in international private equity, primarily in Europe.

Real Estate

The Real Estate portfolio is invested in a diversified group of properties including office buildings, retail facilities, apartments, warehouses and specialty properties. The majority of these investments have been made in partnerships with operating management groups. The WSIB invests in real estate both in the United States and internationally.

Portfolio Holdings

A complete list of portfolio holdings is available by contacting:

Washington State Investment Board
 2100 Evergreen Park Drive SW
 P.O. Box 40916
 Olympia WA 98504-0916
 (360) 956-4600

Summary of Investment Policies

The Washington State Investment Board (WSIB) has been authorized by statute as having the investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk (RCW 43.33A.110).

Retirement Fund Asset Allocation

WSIB establishes asset allocation targets that must be considered at all times when making investment decisions. The asset mix may deviate from the target. Deviations greater than predetermined acceptable levels require rebalancing back to the target. When an asset class exceeds its range, the goal of rebalancing will be to meet the target allocation within consideration of the other remaining asset classes.

Retirement funds are invested in the Commingled Trust Funds (CTF). The CTF's performance benchmark objective is to exceed the return of a policy benchmark consisting of public market indices weighted according to asset allocation targets. The asset allocation for the CTF is formally reviewed every three or four years. WSIB reviews the asset allocation in relation to the established ranges periodically.

Public Markets Equity

The Public Markets equity program seeks to:

- Achieve the highest return possible consistent with the desire to control asset volatility;
- Ensure protection for long-term liabilities, since shorter term liabilities are more suitably protected by lower volatility instruments such as fixed income securities; and
- Provide diversification to the WSIB's overall investment program.

The public markets equity portion of the retirement fund includes strategies in the U.S., developed international, and emerging markets. Since the U.S. equity markets are generally efficient, the domestic equity portfolio is entirely

(100 percent) passively managed. Over time, the domestic equity portfolio should closely track the return of a broad U.S. market benchmark, the Dow Jones Wilshire 5000 Index. Non-U.S. markets are generally less efficient than the U.S. market; therefore, more active management will be included in the approach taken with international markets. The weightings of the elements of the developed markets and emerging markets of the non-U.S. equity program will be similar to the weightings of the MSCI All Country World ex. U.S. Index which serves as the benchmark for the WSIB's entire non-U.S. program.

Fixed Income

The WSIB's fixed income investments are to be actively managed to exceed the return of the Lehman Universe Index, with volatility similar to or less than the index. The portfolio constraints are that no corporate fixed income issue shall exceed 3% of cost at the time of purchase or 6% of market value thereafter of the fund, and no high yield issues shall exceed 1% of cost or 2% of market value of the fund.

Permissible fixed income market segments include: U.S. Treasuries and government agencies, Treasury Inflation Protection Securities, investment-grade credit bonds, high yield bonds, publicly traded mortgage-backed securities, commercial mortgage-backed securities, privately-placed mortgages, private placements of corporate debt, asset-backed securities, convertible securities, non-dollar bonds, real estate mortgages, and Washington State Housing Finance Commission (HFC) taxable municipal bonds up to a total of \$25 million with a maximum of \$10 million per year. Other fixed income segments and instruments may be added from time to time as they are developed or deemed appropriate.

Private Equity Investing

The WSIB can invest in any appropriate private equity investment opportunity which has the potential for returns superior to traditional investment opportunities and which is not

prohibited by the WSIB's policies or by law. As previously indicated, these investment types are divided into venture capital investments, corporate finance (including leveraged, management and employee buyouts), distressed, international, and mezzanine investments. Private equity investments are made through limited partnership vehicles.

To meet the return and plan objectives, the private equity portfolio has diversified investments in companies in a variety of stages of growth. The portfolio also includes a broad cross-section of opportunities in different industries and geographic regions.

Real Estate Program

The WSIB's real estate program is an externally managed pool of selected partnership investments, intended to provide alternative portfolio characteristics when compared to traditional stock and bond investments. The majority of the WSIB's partnerships invest in institutional-quality real estate assets that are leased to third parties. The combination of income generated from bond-like lease payments, coupled with the hard asset qualities of commercial real estate, combine to generate returns that are expected to fall between the return expectations for fixed income and equities. The real estate portfolio is managed to deliver risk-adjusted returns that are

consistent with the Board's long term return expectations for the asset class. The WSIB's real estate partnerships typically invest in private real estate assets that are held for long term income and appreciation. Many of the WSIB's investment partnerships do not involve co-investment with other financial entities, thereby providing the WSIB with control provisions related to liquidation, acquisition, and ongoing operational decisions like annual capital expenditures.

Volatility within the real estate portfolio is minimized through a combination of factors. First, the majority of the WSIB's partners own commercial real estate assets in a private investment form which are not subject to public market volatility. Second, real estate capital is diversified among a host of partners with varying investment styles. Third, partnership assets are invested in numerous economic regions, including international markets, and in various property types. Fourth, WSIB partners invest at different points within the asset's capital structure and life cycle.

The WSIB's current return objective for real estate calls for a target benchmark of one to three percent above the NCREIF index.

Schedule of Investment Management Fees and Commissions For the Year Ended June 30, 2005

(expressed in thousands)

	Assets Under Management*	Total Fees and Commissions Expenses at 6/30/05
Public Equity Securities:		
Passive Equity Managers	\$ 15,534,720	\$ 242
International Active Equity Managers	4,967,248	6,629
International Passive Equity Managers	2,665,034	396
Equity Commissions Paid	3,718,888	7,290
Alternative Investments:		
Private Equity	6,882,920	800
Real Estate	4,412,896	-
Other Fees:		
Consultants and Advisors	-	863
Custodians	-	926
Legal Fees	-	166
Securities Lending Fees	-	8,177
Securities Lending Broker Rebates Paid	-	82,158
PERS Plan 3 Management Fees	982,753	660
SERS Plan 3 Management Fees	766,993	1,874
TRS Plan 3 Management Fees	2,763,478	287
Deferred Compensation Management Fees	1,921,859	2,358
Miscellaneous Fees	-	25
OST Operating Costs	-	119
Total	<u>\$ 44,616,789</u>	<u>\$ 112,970</u>

* This schedule excludes those assets managed by the Washington State Investment Board.

Schedule of Broker Equity Volume and Equity Commissions Paid For the Year Ended June 30, 2005 (page 1 of 3)

Dealer	Equity				Fixed Income	
	Volume Transacted	Number of Shares Traded	Commissions	Commissions Per Share	Long-Term Volume Transacted	Short-Term Volume Transacted
ABD SECURITIES	\$ 2,661,456	220,377	\$ 7,490	\$ 0.03	\$ -	\$ -
ABG	4,609,865	894,992	35,256	0.04	-	-
ABN AMRO SECURITIES	45,655,579	12,199,139	167,967	0.01	49,385,007	-
AGORA	738,738	251,215	7,966	0.03	-	-
ALFA CAPITAL	346,483	114,538	2,794	0.02	-	-
AMADON CORPORATION	1,950,667	249,220	9,363	0.04	-	-
ANDISA SECURITIES	609,930	730,000	1,835	0.00	-	-
AUERBACH GRAYSON	2,848,721	737,660	2,694	0.00	-	-
BANCO PACT	705,834	56,668	3,105	0.05	-	-
BANCO SANTANDER DE NEGOCIOS	4,972,551	1,199,187	25,281	0.02	-	-
BANIF SECURITIES	523,110	266,080	1,574	0.01	-	-
BANK AUSTRIA	-	105,554	3,592	0.03	-	-
BANK JULIUS	-	296	320	1.08	-	-
BANK OF AMERICA	-	-	-	-	977,925,477	-
BANK OF NY SECURITIES INC	17,125	5,088	102	0.02	-	-
BANK VONTOBEL	2,003,577	42,202	10,092	0.24	-	-
BANQUE NATIONALE DE PARIS	781,890	170,802	5,478	0.03	-	-
BARCLAYS TRUST & BANKING CO	-	-	-	-	673,431,908	-
BARING SECURITIES	18,222,205	8,792,624	28,706	0.00	-	-
BAYERISCHE VEREINSBK	394,285	19,854	1,740	0.09	-	-
BBVA SECURITIES	70,128	14,915	428	0.03	-	-
BEAR, STEARNS & CO	36,224,292	18,079,661	105,908	0.01	261,704,565	-
BERENBERG BANK	298,384	20,752	4,254	0.21	-	-
BMO NESBITT BURNS INTERNATIONAL	290,912	35,916	1,215	0.03	-	-
BNP SECURITIES	357,624	1,127,193	2,577	0.00	45,893,137	-
BROCKHOUSE & COOPER	13,988,512	745,436	22,129	0.03	-	-
BROWN (ALEX) & SONS INC	20,222,709	712,832	10,715	0.02	-	-
BUNTING WARBURG INC	17,387,633	1,406,724	46,147	0.03	-	-
CAIB SECURITIES	5,615,112	34,193,129	40,479	0.00	-	-
CANACCORD CAPITAL CORP	839,524	115,232	3,666	0.03	-	-
CANADIAN I	4,268,654	170,603	2,563	0.02	-	-
CANTOR FITZGERALD	16,184,889	1,543,490	20,764	0.01	-	-
CARNEGIE	3,944,190	1,660,258	42,338	0.03	-	-
CAZENOVE & CO	263,359	164,732	2,907	0.02	-	-
CDC SECURITIES	2,073,035	60,004	9,634	0.16	-	-
CHARLES STANLEY	1,751,769	963,638	5,402	0.01	-	-
CHEVREUX DE VIRIEU	18,638,198	4,050,121	88,517	0.02	-	-
CI NORDIC	1,703,365	328,248	5,694	0.02	-	-
CIBC WORLD MARKETS CORP	3,684,277	646,495	16,539	0.03	31,925,661	-
CITIBANK	382,253	128,900	804	0.01	-	-
CITIGROUP	49,404,890	11,004,241	62,827	0.01	588,629,371	-
CLSA SINGAPORE	819,452	34,112	1,642	0.05	-	-
COLLINS STEWART	2,572,475	521,976	5,565	0.01	-	-
COMMERZBANK AG	96,502	16,860	541	0.03	-	-
CREDIT AGRIGOLE	1,084,185	191,003	4,242	0.02	-	-
CREDIT LYONNAIS	62,628,785	78,077,256	250,966	0.00	712,419	-
CREDIT SUISSE FIRST BOSTON LTD	114,279,556	133,861,178	260,067	0.00	60,361,448	-
DAIWA SEC AMERICA	15,254,113	1,649,178	35,347	0.02	-	-
DBS SECURITIES	1,532,796	4,543,421	9,315	0.00	-	-
DEUTSCHE WESTMINSTER BANK	194,779,435	218,322,036	559,936	0.00	61,073,867	-
DRESDNER BANK	43,362,916	8,047,129	10,419	0.00	-	-
ECONO TRADING	2,907,122	131,803	4,218	0.03	-	-
ENSKILDA SECURITIES	2,963,028	440,942	18,648	0.04	-	-

**Schedule of Broker Equity Volume and Equity Commissions Paid
For the Year Ended June 30, 2005 (page 2 of 3)**

Dealer	Equity				Fixed Income	
	Volume Transacted	Number of Shares Traded	Commissions	Commissions Per Share	Long-Term Volume Transacted	Short-Term Volume Transacted
EUROMOBILIARE	\$ 1,158,921	218,733	\$ 6,018	\$ 0.03	\$ -	\$ -
EVOLUTION	145,247	5,587	218	0.04	-	-
EXANE	275,332	145,598	12,364	0.08	-	-
EXECUTION SERVICES INC	184,997	282,343	2,335	0.01	-	-
FIRST BOSTON CORPORATION	116,885,891	50,402,118	266,683	0.01	225,103,844	-
FIRST MARATHON SEC LTD	280,069	21,051	674	0.03	-	-
FIRST PACIFIC	2,330,972	833,974	12,419	0.01	-	-
FOX PITT KELTON INC	2,131,870	467,112	21,147	0.05	-	-
FUJI SECURITIES	7,261,623	862,996	12,508	0.01	-	-
G-TRADE SE	6,508,495	4,032,133	14,223	0.00	-	-
GLOBAL EXECUTION NETWORK ASSOC	1,513,670	647,445	1,911	0.00	-	-
GLOBAL SECURITIES	357,314	210,454	1,255	0.01	-	-
GOLDMAN SACHS & COMPANY	485,115,932	116,178,018	678,856	0.01	235,451,748	-
GOOD MORNING	1,409,050	3,392	6,344	1.87	-	-
GRIFFITHS MCBURNEY	6,054,994	330,830	12,057	0.04	-	-
HOARE GOVETT	65,702,285	6,991,454,493	132,123	0.00	-	-
HSBC INVESTMENT BANK PLC	2,202,397	150,749	10,406	0.07	-	-
HSBC SECURITIES INC	5,477,126	1,925,784	35,463	0.02	33,921,015	-
ING BANK BRAZIL	1,778,744	534,732	31,135	0.06	-	-
ING BARING SECURITIES	5,880,465	522,210	51,205	0.10	2,430,241,161	-
INSTINET	41,617,339	10,069,091	71,384	0.01	-	-
INTERMOBILIARE SEC	10,538	16,162	868	0.05	-	-
INVESTMENT TECHNOLOGY GRP INC	151,713,892	24,507,553	254,488	0.01	-	-
ITG INC	31,534,051	6,541,714	35,800	0.01	-	-
IXIS SECURITIES	324,967	80,126	9,709	0.12	-	-
J & E DAVY	283,794	221,185	3,450	0.02	-	-
J.B.WERE & SON	1,831,377	717,436	5,451	0.01	-	-
J.P. MORGAN SECURITIES INC	60,351,826	15,864,037	269,868	0.02	514,801,280	-
JEFFRIES & CO	20,776,748	1,869,918	12,450	0.01	-	-
JOHN BERENBERG GOSSLER	83,845	21,949	3,003	0.14	-	-
JULIUS BAER	86,327	15,578	1,613	0.10	-	-
KB SECURITIES N V	17,791	14,367	35	0.00	-	-
KBC FINANCE	1,449,774	542,739	24,560	0.05	-	-
KLEINWORTH BENSON INC	72,361,415	13,957,525	111,363	0.01	-	-
KNIGHT SEC	24,159,001	2,110,874	11,008	0.01	-	-
LEHMAN BROTHERS INC	117,484,831	13,974,347	267,048	0.02	277,041,981	-
M M WARBURG	748,934	17,559	1,287	0.07	-	-
MACQUARIE EQUITIES	4,085,370	2,700,474	31,492	0.01	-	-
MAINFIRST	209,740	11,174	975	0.09	-	-
MALONEY & CO	11,105,557	492,688	7,038	0.01	-	-
MERITA BANK LTD	4,944,996	282,343	14,880	0.05	-	-
MERRILL LYNCH, P F & S	338,086,738	320,707,425	1,401,327	0.00	310,850,694	-
MONTGOMERY SECURITIES	915,611	64,450	1,555	0.02	-	-
MORGAN STANLEY & CO	65,829,210	20,180,441	242,260	0.01	246,426,194	-
NATIONAL A	525,103	45,324	4,064	0.09	-	-
NBG INTERNATIONAL	1,170,199	161,594	11,987	0.07	-	-
NCB STOCKBROKERS	3,070,223	279,449	4,361	0.02	-	-
NESBITT BURNS	6,460,531	570,272	19,583	0.03	-	-
NEUBERGER & BERMAN	625,343	63,452	1,904	0.03	-	-
NOMURA SECURITIES INTL	20,318,993	23,500,381	116,859	0.00	110,856,724	-
NUMIS SECURITIES	302,930	20,652	303	0.01	-	-
OPPENHEIMER & CO	2,878,866	169,629	6,046	0.04	-	-

**Schedule of Broker Equity Volume and Equity Commissions Paid
For the Year Ended June 30, 2005 (page 3 of 3)**

Dealer	Equity				Fixed Income	
	Volume Transacted	Number of Shares Traded	Commissions	Commissions Per Share	Long-Term Volume Transacted	Short-Term Volume Transacted
P & K	\$ 2,253,734	125,208	\$ 3,393	\$ 0.03	\$ -	\$ -
PERSHING & COMPANY	27,433,875	16,050,427	56,490	0.00	-	-
UBS PHILLIPS & DREW SEC	3,357,017	6,286,671	4,235	0.00	-	-
RAYMOND JAMES & ASSOCIATES	12,603,808	1,934,128,180	48,404	0.00	-	-
RBC DOMINION SECURITIES	6,081,529	838,221	20,558	0.02	-	-
REDBURN PA	2,674,343	506,521	6,432	0.01	-	-
SALOMON BROTHERS	171,554,118	22,673,949	249,762	0.01	-	-
SANFORD BERNSTEIN	8,893,573	1,004,538	33,516	0.03	-	-
SANTANDER INVESTMENT SEC'S	111,323	178,484	10,156	0.06	80,811,829	-
SCOTIA CAPITAL MARKET	2,023,126	63,851	2,573	0.04	-	-
SCOTIA MCLEOD	2,543,886	130,097	4,196	0.03	-	-
SHINKO SECURITIES	424,957	1,426	320	0.22	-	-
SIS SEGAIINTERSETTLE AG	2,095,056	43,561	5,595	0.13	-	-
SMITH BARNEY & COMPANY	600,073	35,080	2,215	0.06	-	-
SOCIETE GENERAL	115,645,781	14,861,172	227,129	0.02	-	-
SPEAR, LEEDS & KELLOGG	350,506	10,176	102	0.01	-	-
SSANGYONG INVESTMENTS	5,261,182	95,677	22,216	0.23	-	-
STATE ST BK & TRUST	580,107,983	12,392,050	175	0.00	9,324,661	2,156,182,728
SVENSKA HANDELSBANKEN	7,423,247	1,079,213	35,024	0.03	-	-
SWISS BANK	68,856,692	1,654,503	46,482	0.03	-	-
THINK EQUITY	4,687,191	649,389	4,502	0.01	-	-
THOMAS WEISEL PARTNERS	23,794,395	1,528,211	7,109	0.00	-	-
TOKAI BANK	394,320	39,121	999	0.03	-	-
TOKYO MITSUBISHI INTL.	419,714	57,822	2,167	0.04	-	-
TORONTO DOMINION SEC INC	3,984,337	193,749	5,761	0.03	-	-
UBS SECURITIES	186,110,841	39,106,779	148,321	0.00	608,415,014	-
USCC/SANTANDER	360,771	69,139	3,457	0.05	-	-
WARBURG DILLON READ LLC	52,753,229	18,704,177	105,185	0.01	-	-
WATERHOUSE SECURITIES INC	92,456	57,067	995	0.02	-	-
YORKTOWN SECURITIES INC	1,057,318	75,624	3,054	0.04	-	-
Total	\$3,718,887,725	10,250,726,653	\$7,289,654	\$0.01	\$7,834,289,005	\$2,156,182,728

Source: Washington State Investment Board

Summary of Investments Owned on June 30, 2005
Pension Trust Funds (page 1 of 5)
(expressed in thousands)

Description	Total Market Value	Percent of Total Market Value
INVESTMENTS		
ASSET BACKED SECURITIES		
STANDARD CREDIT CARD 1995-9A ABS, 6.55%, 10/7/2007	\$ 15,087	0.03%
STANDARD CREDIT CARD MASTER TRUST, 7.25%, 4/7/2006	12,294	0.02%
FNMA 95-W1 A7, 8.20%, 4/25/2005	2,517	--
TOTAL ASSET BACKED SECURITIES	<u>29,898</u>	<u>0.05%</u>
CERTIFICATES OF DEPOSIT		
CERTIFICATES OF DEPOSIT	11,947	0.02%
TOTAL CERTIFICATES OF DEPOSIT	<u>11,947</u>	<u>0.02%</u>
COMMERCIAL MORTGAGE BACKED SECURITIES		
CCMSC 1999-2 A2, 7.20%, 1/15/2032	27,682	0.05%
FUNBC 2001-C2 A2, 6.66%, 1/12/2043	27,682	0.05%
CSFB 2002-CKP1 A3, 6.44%, 12/15/2035	27,681	0.05%
CSFB 2001-CK6 A3, 6.39%, 10/15/2011	27,506	0.05%
FUNB COMMERCIAL 2002-C1 A2, 6.14%, 2/12/2034	27,265	0.05%
JPMCC 2001-CIBC A3, 6.26%, 3/15/2033	27,121	0.05%
FIRST UNION LEHMAN BROS. 98-C2 A2, 6.56%, 11/18/2035	26,098	0.05%
BACM 2002-2 A3, 5.12%, 7/11/2043	25,877	0.05%
DLJCM 1999-CG2 A1B, 7.30%, 6/10/2009	24,759	0.04%
MSDWC 2000-1345 A2, 7.46%, 9/30/2010	22,792	0.04%
Others	140,098	0.25%
TOTAL COMMERCIAL MORTGAGE-BACKED SECURITIES	<u>404,561</u>	<u>0.73%</u>
CORPORATE BONDS - DOMESTIC		
BRITISH SKY BROADCASTING, 8.20%, 7/15/2009	56,586	0.10%
PETROLEO BRASILEIRO INTERNACIONALE, 9.75%, 7/16/2011	53,201	0.10%
CIA BRASILEIRA DE BEBIDAS, 10.50%, 12/15/2011	53,026	0.10%
US BANK NA, 6.30%, 7/15/2008	52,816	0.09%
PROVINCE OF QUEBEC, 4.60%, 5/26/2015	52,439	0.09%
PROVINCE OF MANITOBA, 2.75%, 1/17/2006	51,630	0.09%
WELLS FARGO & COMPANY, 4.75%, 2/9/2015	50,521	0.09%
DIAMOND OFFSHORE, 4.88%, 7/1/2015	50,044	0.09%
INTERNATIONAL FINANCE CORP, 3.75%, 6/30/2009	49,861	0.09%
AMERICAN HONDA FINANCE, 2.88%, 4/3/2006	47,585	0.09%
Others	3,508,051	6.34%
TOTAL CORPORATE BONDS - DOMESTIC	<u>4,025,760</u>	<u>7.27%</u>
CORPORATE STOCK - FOREIGN		
ROYAL DUTCH PETROLEUM	84,778	0.15%
BNP PARIBAS	73,789	0.13%
TOTAL SA GROUP	62,391	0.11%
E ON AG	61,164	0.11%
ING GROUP NV	59,052	0.11%
LLOYDS TSB GROUP	50,338	0.09%
GLAXO SMITH KLINE	50,335	0.09%
SHELL TRANSPORTATION AND TRADING	49,364	0.09%
SOCIETE GENERALE	49,004	0.09%
BP AMOCO	48,813	0.09%
Others	4,378,220	7.91%
TOTAL CORPORATE STOCK - FOREIGN	<u>4,967,248</u>	<u>8.97%</u>

Summary of Investments Owned on June 30, 2005
Pension Trust Funds (page 2 of 5)
(expressed in thousands)

Description	Total Market Value	Percent of Total Market Value
GOVERNMENT SECURITIES - DOMESTIC		
U.S. GOVERNMENT TREASURIES		
U.S. TREASURY BOND, 5.38%, 2/15/2031	\$ 226,124	0.41%
U.S. TREASURY BOND, 5.25%, 11/15/2028	199,503	0.36%
U.S. TREASURY BOND, 6.13%, 8/15/2007	104,784	0.19%
U.S. TREASURY BOND, 4.25%, 11/15/2014	102,113	0.18%
U.S. TREASURY NOTE, 6.00%, 8/15/2009	54,198	0.10%
U.S. TREASURY NOTE, 5.63%, 5/15/2008	52,516	0.10%
U.S. TREASURY BOND, 13.88%, 5/15/2011	33,734	0.06%
U.S. TREASURY NOTE, 7.00%, 7/15/2006	11,356	0.02%
TOTAL U.S. GOVERNMENT TREASURIES	<u>784,328</u>	<u>1.42%</u>
TREASURY INFLATION PROTECTED SECURITIES		
U.S. TREASURY INFLATION INDEX, 3.38%, 1/15/2007	569,139	1.03%
U.S. TREASURY INFLATION INDEX, 3.63%, 1/15/2008	553,349	1.00%
U.S. TREASURY INFLATION INDEX, 3.00%, 7/15/2012	261,744	0.47%
U.S. TREASURY INFLATION INDEX, 3.88%, 1/15/2009	225,460	0.41%
U.S. TREASURY INFLATION INDEX, 2.00%, 7/15/2014	212,273	0.38%
U.S. TREASURY INFLATION INDEX, 0.88%, 4/15/2010	200,904	0.36%
U.S. TREASURY INFLATION INDEX, 3.38%, 1/15/2012	147,805	0.27%
U.S. TREASURY INFLATION INDEX, 2.00%, 1/15/2014	135,323	0.24%
U.S. TREASURY INFLATION INDEX, 4.25%, 1/15/2010	64,938	0.12%
TOTAL TREASURY INFLATION PROTECTED SECURITIES	<u>2,370,935</u>	<u>4.28%</u>
COLLATERALIZED MORTGAGE OBLIGATIONS		
FNMA FHR 2003-70 BH, 4.5%, 10/25/2031	38,736	0.07%
FREDDIE MAC, 5.0%, 1/15/2034	32,087	0.06%
FNR 2002-67 AN, 5.0%, 11/25/2017	30,470	0.06%
FHR 2510 AJ, 5.0%, 10/15/2017	29,701	0.05%
FNR 2003-67 TJ, 4.75%, 7/15/2018	29,530	0.05%
FHR 2419 DE, 5.5%, 7/15/2017	29,280	0.05%
FANNIE MAE, 4.5%, 1/25/2030	29,084	0.05%
FHR 2416 PE, 6.0%, 10/15/2021	25,586	0.05%
FNR 2002-71 KM, 5.0%, 11/25/2017	25,454	0.05%
FANNIE MAE, 5.0%, 7/25/2033	25,065	0.05%
Others	676,688	1.22%
TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS	<u>971,681</u>	<u>1.76%</u>
PASS THROUGHs		
FREDDIE MAC, 5.5%, 12/1/2018	109,552	0.20%
FREDDIE MAC, 5.5%, 9/1/2034	89,371	0.16%
FANNIE MAE, 5.0%, 2/1/2020	56,712	0.10%
FANNIE MAE, 5.0%, 1/1/2020	56,093	0.10%
FANNIE MAE, 5.5%, 1/1/2025	55,082	0.10%
FANNIE MAE, 4.5%, 5/1/2019	52,395	0.09%
FREDDIE MAC, 5.0%, 2/1/2020	48,404	0.09%
FHLM FGE 01343, 5.0%, 4/1/2018	47,378	0.09%
FREDDIE MAC, 5.5%, 11/1/2034	47,293	0.08%
FANNIE MAE, 5.0%, 8/1/2034	46,084	0.08%
Others	1,923,796	3.48%
TOTAL PASS THROUGHs	<u>2,532,160</u>	<u>4.57%</u>

Summary of Investments Owned on June 30, 2005
Pension Trust Funds (page 3 of 5)
(expressed in thousands)

Description	Total Market Value	Percent of Total Market Value
NON-STANDARD MORTGAGES		
FNMA PL 073014 OLIVE TOWER APT, 9.02%, 6/1/2020	\$ 1,636	--
MISSION TOWERS, 7.5%, 6/1/2018	1,439	--
FHA PRJ-REILLY MORTGAGE GROUP #55, 7.43%, 3/1/2024	1,156	--
SUTTER VILLAGE, 7.5%, 2/2/2018	693	--
BURIEN HAUS, 7.5%, 12/1/2017	403	--
TOTAL NON-STANDARD MORTGAGES	<u>5,327</u>	<u>0.01%</u>
REPURCHASE AGREEMENTS		
BEAR STEARNS & CO. INC., 3.38%, 7/1/2005	407	--
GOLDMAN SACHS & CO., 3.35%, 7/1/2005	1,502	--
MORGAN STANLEY & COMPANY INC., 3.35%, 7/1/2005	1,885	--
UBS SECURITIES LLC, 3.39%, 7/1/2005	2,560	--
Others	43,942	0.08%
TOTAL REPURCHASE AGREEMENTS	<u>50,296</u>	<u>0.09%</u>
VARIABLE RATE NOTES		
SLM CORP, 3.28%, 1/25/2007	49,917	0.09%
MERRILL LYNCH, 3.49%, 12/22/2005	49,916	0.09%
ABN AMRO BANK NV, 3.31%, 5/11/2007	34,949	0.06%
JOHN DEERE CAPITAL CORP, 3.56%, 6/28/2006	29,955	0.06%
HBOS TREASURY SERVICES, 3.21%, 1/12/2007	29,947	0.05%
GOLDMAN SACHS, 3.59%, 3/30/2007	29,924	0.05%
DORAL FINANCIAL CORP., 3.97%, 7/20/2007	23,120	0.04%
HBOS TREASURY SERVICES, 3.16%, 1/12/2006	19,960	0.04%
HSBC BANK USA, 3.42%, 12/14/2006	19,948	0.04%
BRANCH BANKING & TRUST, 3.42%, 6/4/2007	19,946	0.04%
Others	78,052	0.14%
TOTAL VARIABLE RATE NOTES	<u>385,634</u>	<u>0.70%</u>
COMMINGLED INDEX FUNDS - DOMESTIC		
BGI US EQUITY MKT FUND	15,534,720	28.07%
TOTAL COMMINGLED INDEX FUNDS - DOMESTIC	<u>15,534,720</u>	<u>28.07%</u>
COMMINGLED INDEX FUNDS - FOREIGN		
MSCI EAFE SL	1,418,310	2.56%
WORLD EX US ALPHA TILTS	706,165	1.28%
GRANTHAM, MAYO & VAN OTTERLOO TRUST	238,413	0.44%
CANADA MSCI INDEX FUND	101,448	0.18%
FOREIGN COLONIAL EMERGING MARKETS GROUP TRUST	100,867	0.18%
CAPITAL GUARDIAN GROWTH FUND	99,831	0.18%
TOTAL COMMINGLED INDEX FUNDS - FOREIGN	<u>2,665,034</u>	<u>4.82%</u>
COMMINGLED BALANCED FUNDS - DOMESTIC		
WASHINGTON STATE MID-HORIZON FUND	114,430	0.21%
WASHINGTON STATE LONG HORIZON FUND	104,459	0.19%
WASHINGTON STATE SHORT HORIZON FUND	36,800	0.06%
TOTAL COMMINGLED BALANCED FUNDS - DOMESTIC	<u>255,689</u>	<u>0.46%</u>

Summary of Investments Owned on June 30, 2005

Pension Trust Funds (page 4 of 5)

Description	Total Market Value	Percent of Total Market Value
CURRENCIES		
E.M.U. - EURO	\$ 11,466	0.02%
GREAT BRITAIN - POUND	6,442	0.01%
JAPAN - YEN	3,821	0.01%
SWITZERLAND - FRANC	1,163	--
AUSTRALIA - DOLLAR	885	--
DENMARK - KRONE	816	--
CANADA - DOLLAR	763	--
HONG KONG - DOLLAR	718	--
SINGAPORE - DOLLAR	559	--
SWEDEN - KRONA	414	--
Others	293	--
TOTAL CURRENCIES	<u>27,340</u>	<u>0.05%</u>
GUARANTEED INVESTMENT CONTRACTS		
SAVINGS POOL	653,020	1.18%
TOTAL GUARANTEED INVESTMENT CONTRACTS	<u>653,020</u>	<u>1.18%</u>
LIFE ANNUITY		
G.E. CAPITAL ASSURANCE	35	--
TOTAL LIFE ANNUITY	<u>35</u>	<u>--</u>
MONEY MARKET FUNDS		
STATE STREET BANK & TRUST CO.	1,281,471	2.32%
TOTAL MONEY MARKET FUNDS	<u>1,281,471</u>	<u>2.32%</u>
MUTUAL FUNDS		
U.S. STOCK MARKET INDEX FUND	453,022	0.82%
FIDELITY EQUITY-INCOME FUND	387,609	0.70%
U.S. LARGE STOCK INDEX FUND	337,615	0.61%
U.S. SMALL STOCK INDEX FUND	307,489	0.55%
FIDELITY INDEPENDENCE FUND	300,832	0.54%
WASHINGTON STATE MONEY MARKET FUND	292,189	0.53%
WASHINGTON STATE BOND FUND	270,880	0.49%
INTERNATIONAL STOCK INDEX FUND	224,733	0.41%
FIDELITY GROWTH COMPANY FUND	220,157	0.40%
SOCIAL BALANCED FUND	50,515	0.09%
Others	560	--
TOTAL MUTUAL FUNDS	<u>2,845,601</u>	<u>5.14%</u>
PRIVATE EQUITY		
KKR MILLENIUM FUND	793,504	1.43%
KKR 1996 FUND	361,101	0.65%
KKR EUROPEAN FUND	332,551	0.60%
WARBURG PINCUS PRIVATE EQUITY VIII	226,202	0.41%
FORTRESS INVESTMENT FUND LLC	204,668	0.37%
WELSH CARSON ANDERSON STOWE IX	199,817	0.36%
WARBURG PINCUS EQUITY PARTNERS LP	198,719	0.36%
MADISON DEARBORN CAPITAL PARTNERS IV LP	141,336	0.26%
FIRST RESERVE FUND IX LP	121,775	0.22%
MENLO VENTURE IX, L.P.	110,150	0.20%
Others	4,193,097	7.58%
TOTAL PRIVATE EQUITY	<u>6,882,920</u>	<u>12.44%</u>

Summary of Investments Owned on June 30, 2005
Pension Trust Funds (page 5 of 5)

<u>Description</u>	<u>Total Market Value</u>	<u>Percent of Total Market Value</u>
REAL ESTATE		
PRINCIPAL ENTERPRISE CAPITAL I	\$ 749,131	1.35%
HOMETOWN AMERICA, LLC	683,840	1.24%
MSREF IV INTERNATIONAL	366,965	0.66%
LONESTAR IV (US) LP	344,808	0.62%
HAWTHORNE TIMBER LLC	279,019	0.50%
EUROPEAN INVESTMENT PROPERTIES LIMITED	257,790	0.47%
PACTRUST REALTY ASSOCIATES LP	253,780	0.46%
LONESTAR FUND III	249,694	0.45%
UNION SQUARE LP	219,145	0.40%
OLYMPIA PROPERTIES LLC	200,711	0.36%
Others	808,013	1.46%
TOTAL REAL ESTATE	<u>4,412,896</u>	<u>7.97%</u>
SECURITIES ON LOAN		
SECURITIES ON LOAN - DOMESTIC	3,417,172	6.18%
SECURITIES ON LOAN - FOREIGN	832,242	1.50%
TOTAL SECURITIES ON LOAN	<u>4,249,414</u>	<u>7.68%</u>
TOTAL INVESTMENTS	\$ <u>55,347,915</u>	<u>100.00%</u>

